

CITY OF BELLEVILLE

Belleville, Kansas

FINANCIAL STATEMENT AND INDEPENDENT AUDITOR'S REPORT

For the Year Ended December 31, 2012

**MAPES & MILLER
Certified Public Accountants
Phillipsburg, Kansas 67661**

CITY OF BELLEVILLE

For the Year Ended December 31, 2012

City Council

**Keith Sells
Blaine Miller
Don Danielson**

**Randy Hansen
Catherine Derowitsch**

**Tatum Couture
Neal Lewis
Russell Piroutek
Lisa Noland**

**Mayor
City Manager
Clerk
Treasurer**

CITY OF BELLEVILLE
Belleville, Kansas

For the Year Ended December 31, 2012

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**CITY OF BELLEVILLE
Belleville, Kansas**

For the Year Ended December 31, 2012

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INDEPENDENT AUDITOR'S REPORT

**Mayor and City Council
City of Belleville, Kansas
Belleville, KS 66935**

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Belleville, Kansas, a Municipality as of and for the year ended December 31, 2012 and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1 to meet the financial reporting requirements of the State of Kansas. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the applicable audit requirements of the *Kansas Municipal Audit and Accounting Guide*. Those standards and the *Kansas Municipal Audit and Accounting Guide* require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the City of Belleville, Kansas to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Belleville, Kansas as of December 31, 2012, or changes in financial position and cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City of Belleville, Kansas, as of December 31, 2012, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the 2012 fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and disbursements-actual and budget, and schedule of regulatory basis receipts and disbursements – agency funds, (Schedules 1, 2, and 3 as listed in the table of contents) are presented for purposes of additional analysis and are not a required part of the 2012 basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. The schedule of expenditures of federal awards (Schedule 4 as listed in the table of contents) is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2012 basic financial statement. The 2012 information has been subjected to the auditing procedures applied in the audit of the 2012 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2012 basic financial statement or to the 2012 basic financial statement itself, and other additional procedures in accordance with auditing standards

Mayor and City Council
City of Belleville, Kansas
September 23, 2013
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generally accepted in the United States of America. In our opinion, the 2012 supplementary information is fairly stated in all material respects in relation to the 2012 basic financial statement as a whole, on the basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 23, 2013, on our consideration of the City of Belleville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Belleville's internal control over financial reporting and compliance.

Respectfully submitted,

Mapes & Miller LLP

Certified Public Accountants

September 23, 2013
Phillipsburg, Kansas

CITY OF BELLEVILLE
Belleville, Kansas

Statement 1

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH
REGULATORY BASIS
For the Year Ended December 31, 2012

FUNDS	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
General Fund							
General Operating Fund	\$ 168,494	\$ -	\$ 840,830	\$ 822,853	\$ 186,471	\$ 6,276	\$ 192,747
Special Purpose Funds							
Library Fund	-	-	115,169	115,169	-	-	-
Recreation Fund	2,243	-	37,521	34,299	5,465	3,500	8,965
Special Highway Fund	79,781	-	51,213	29,385	101,609	-	101,609
Special Fire Equipment Fund	106,911	-	24,566	-	131,477	-	131,477
Special Park & Recreation Fund	9,352	-	4,601	-	13,953	-	13,953
Employee Benefit Fund	28,034	-	388,776	410,173	6,637	-	6,637
Health Insurance Fund	159,063	-	302,068	305,768	155,363	-	155,363
Convention & Tourism Fund	29,153	-	34,249	30,830	32,572	-	32,572
Travel Information Center Fund	10,731	-	54,857	55,536	10,052	-	10,052
Special Street Machinery Reserve Fund	25,121	-	20,000	-	45,121	-	45,121
Rocky Pond Fund	192	-	-	-	192	-	192
Equipment Reserve Fund	18,490	-	153,504	7,699	164,295	-	164,295
Capital Projects Funds							
City Capital Improvement Fund	351,220	-	262,802	483,120	130,902	4,420	135,322
CDBG Street Project Fund	-	-	390,000	400,000	(10,000) *	10,000	-
CDBG Water Project Fund	-	-	108,113	123,113	(15,000) *	15,000	-
Airport Capital Improvements Fund	36,986	-	-	-	36,986	-	36,986
Business Funds							
Electric Utility							
Operating Fund	660,647	61,092	2,764,264	2,876,497	609,506	-	609,506
Repair & Extension Fund	730,259	-	250,000	135,273	844,986	-	844,986
Gas Utility							
Operating Fund	16,790	-	884,951	793,753	107,988	-	107,988
Repair & Extension Fund	160,000	-	-	-	160,000	-	160,000
Water Utility							
Operating Fund	267,810	-	323,177	428,225	162,762	-	162,762
Repair & Extension Fund	134,599	-	225,905	215,383	145,121	108,203	253,324

The notes to the financial statement are an integral part of this statement.

CITY OF BELLEVILLE
Belleville, Kansas

Statement 1
(Cont.)

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH
REGULATORY BASIS
For the Year Ended December 31, 2012

FUNDS	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
Business Funds (Cont.)							
Sewer Utility							
Operating Fund	\$ 104,385	\$ -	\$ 269,132	\$ 273,855	\$ 99,662	\$ -	\$ 99,662
Principal & Interest Reserve Fund	57,293	-	109,877	109,876	57,294	-	57,294
Repair & Extension Fund	14,434	-	25,000	8,368	31,066	-	31,066
Airport Utility							
Operating Fund	3,023	-	26,356	19,499	9,880	-	9,880
Landfill Utility							
Operating Fund	4,116	-	104,106	105,313	2,909	-	2,909
Utility Deposits Fund	713	-	11,007	10,431	1,289	15,532	16,821
Total Financial Reporting Entity (Excluding Agency Funds)	<u>\$ 3,179,840</u>	<u>\$ 61,092</u>	<u>\$ 7,782,044</u>	<u>\$ 7,794,418</u>	<u>\$ 3,228,558</u>	<u>\$ 162,931</u>	<u>\$ 3,391,489</u>
					Composition of Cash		
					Cash on Hand		\$ 800
					Astra Bank		
					Checking Account		5,457
					Money Market		1,500,000
					Citizens National Bank		
					Checking Account		<u>1,887,623</u>
					Total Cash		3,393,880
					Agency Funds Per Schedule 3		<u>(2,391)</u>
					Total Financial Reporting Entity (Excluding Agency Funds)		<u>\$ 3,391,489</u>

* See Footnote 3, Cash Basis Exception

The notes to the financial statement are an integral part of this statement.

CITY OF BELLEVILLE
Belleville, Kansas

NOTES TO THE FINANCIAL STATEMENT
December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) FINANCIAL REPORTING ENTITY

The City of Belleville, Kansas is a municipal corporation governed by an elected mayor and an elected five member council. This financial statement presents the City of Belleville only and does not include its related municipal entities.

(b) REGULATORY BASIS FUND TYPES

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The following types of funds comprise the financial activities for the City for the year ended December 31, 2012.

General Fund – the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose Fund – used to account for the proceeds of specific tax levies and other specific revenue sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

Capital Project Fund – used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.

Business Fund – funds financed in whole or in part by fees charged to users of the goods or services (i.e. enterprise and internal service fund etc.)

Agency Fund – funds used to report assets held by the municipal reporting entity in a purely custodial capacity (payroll clearing fund, county treasurer tax collection accounts, etc.)

(c) REGULATORY BASIS OF ACCOUNTING AND DEPARTURE FROM ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA

The *Kansas Municipal Audit and Accounting Guide* (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the regulatory basis of accounting.

(d) BUDGETARY INFORMATION

Kansas statutes require that an annual operating budget be legally adopted for the general operating fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but at least ten days after publication of notice hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There was one budget amendment for the year ended December 31, 2012.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which revenues are recognized when cash is received, and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

A legal operating budget is not required for capital project funds, trust funds, and the following funds:

Special Purpose Funds:
Special Street Machinery Reserve Fund
Rocky Pond Fund
Equipment Reserve Fund

Business Funds:

Electric Utility Repair & Extension Fund
Gas Utility Repair & Extension Fund
Water Utility Repair & Extension Fund
Sewer Utility Repair & Extension Fund
Utility Deposits Fund

Spending in funds which are not subject to the legal annual operating budget requirements is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Compliance with Kansas Statutes

A. The City is not aware of any non-compliance with Kansas statutes.

3. CASH BASIS EXCEPTION

A. The City received two Community Development Block Grants. The grant documents require the City to expend the monies before they can request reimbursement, which caused the City to have negative unencumbered cash balances in the CDBG Street Project Fund and CDBG Water Project Fund at December 31, 2012. K.S.A. 12-1664 provides an exception for a cash basis law violation for the intergovernmental grant funds to expend monies for grant purposes with the expectation of monies to be reimbursed to the City under conditions of the grant award.

4. DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located or in an adjoining county if such institution has been designated as an official depository and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

Concentration of Credit Risk. State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal

Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during the designated “peak periods” when required coverage is 50%. All deposits were legally secured at December 31, 2012.

At December 31, 2012, the City’s carrying amount of deposits was \$3,393,080 and the bank balance was \$3,744,522. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance \$507,501 was covered by federal depository insurance, \$3,237,021 was collateralized with securities held by the pledging financial institutions’ agents in the City’s name.

Custodial Credit Risk – Investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

5. DEFINED BENEFIT PENSION PLAN

Plan description. The City of Belleville participates in the Kansas Public Employees Retirement System (KPERs), a cost-sharing multiple-employer defined benefit pension plan as provided by Kansas law. KPERs provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERs issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERs (611 S Kansas, Suite 100; Topeka, KS 66603-3869) or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERs member-employee contribution rates. Effective July 1, 2009 KPERs has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERs member-employee contribution rate at 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. Kansas law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERs is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates.

6. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

(a) Other Post Employment Benefits

As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the City is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured.

(b) Other Employee Benefits

Vacation

Employees of the City accumulate vacation leave at a rate of eight to fourteen hours per month, depending upon years of service. An employee can carry over to a new year ten days of vacation leave. Employees are paid for all accumulated vacation leave, at their current wage rate. Upon retirement, employees are paid for all accumulated vacation, up to forty hours.

Sick leave

Employees of the City accumulate sick leave at a rate of eight hours per month. They may accumulate a maximum of 600 hours sick leave. Upon termination of employment, no sick leave is paid to the employee. Upon retirement, an employee receives \$5.00 per hour for the accumulated sick leave, up to 600 hours. If an employee accumulates over 600 hours of sick leave, at the end of the year, they are paid for the hours over 600, at \$5.00 per hour. At December 31, 2012, one employee was eligible to retire.

7. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has been unable to obtain workman's compensation insurance at a cost it considered to be economically justifiable. For this reason, the City joined together with other cities in the State to participate in Kansas Municipal Insurance Trust, a public entity risk pool currently operating as a common risk management and insurance program for 150 participating members and the league itself.

The City continues to carry commercial insurance for all other risks of loss, including commercial property, commercial liability, automobile, linebacker, inland marine, surety bonds, commercial output, law enforcement liability, and airport liability. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

8. COMMUNITY DEVELOPMENT BLOCK GRANT LOAN

In 2005, the City of Belleville began serving as a conduit between the Kansas Department of Commerce and a private enterprise for the purpose of economic development. The enterprise received a Community Development Block Grant loan from the Department of Commerce. The City had an obligation to assure the enterprise is complying with the loan agreement before advancing the funds. The private enterprise is responsible for making the loan payments and the City has no financial obligation to the State if the enterprise defaults on the loan. On December 3, 2012 the final loan payment was made and the debt obligation was paid off.

9. DEFEASANCE OF DEBT

On May 23, 2008, the City defeased the 2005 Electric & Gas Revenue Bond by putting principal and interest in a trust to provide for future debt service payments on the defeased bond. Accordingly, the trust account assets and the liability for the defeased debt is not included in these financial statements. At December 31, 2012, \$1,275,000 of bonds outstanding are considered defeased.

10. CAPITAL PROJECTS FUNDS

Capital project authorizations with approved change orders compared with cash disbursements and accounts payable from inception are as follows:

	Project Authorization	Cash Disbursements and Accounts Payable to Date
Airport Grant Rehabilitate-Airport Pavement	\$ 102,958	\$ 102,958
Airport Grant-Land Acquisition	75,716	74,110
CDBG Grant-Street Project	874,962	874,962
CDBG Grant-Water Project	1,071,800	331,063

11. INTERFUND TRANSFERS

Operating transfers were as follows:

From	To	Authority	Amount
General Operating Fund	Special Street Machinery Reserve Fund	K.S.A. 12-1,117	\$ 20,000
General Operating Fund	Equipment Reserve Fund	K.S.A. 12-1,117	2,806
Recreation Fund	Equipment Reserve Fund	K.S.A. 12-1,117	698
Convention & Tourism Fund	Travel Information Center Fund	K.S.A. 12-825d	5,000
Electric Utility Operating Fund	General Operating Fund	K.S.A. 12-825d	147,763
Electric Utility Operating Fund	Employee Benefit Fund	K.S.A. 12-825d	10,000
Electric Utility Operating Fund	Travel Information Center Fund	K.S.A. 12-825d	10,000
Electric Utility Operating Fund	Equipment Reserve Fund	K.S.A. 12-825d	150,000
Electric Utility Operating Fund	City Capital Improvement Fund	K.S.A. 12-825d	60,000
Electric Utility Operating Fund	Electric Utility Repair & Extension Fund	K.S.A. 12-825d	250,000
Gas Utility Operating Fund	General Operating Fund	K.S.A. 12-825d	22,223
Gas Utility Operating Fund	City Capital Improvement Fund	K.S.A. 12-825d	40,000
Water Utility Operating Fund	City Capital Improvement Fund	K.S.A. 12-825d	10,000
Water Utility Operating Fund	Water Utility Repair & Extension Fund	K.S.A. 12-825d	225,905
Sewer Utility Operating Fund	City Capital Improvement Fund	K.S.A. 12-825d	7,500
Sewer Utility Operating Fund	Sewer Utility Principal & Interest Reserve Fund	K.S.A. 12-825d	109,877
Sewer Utility Operating Fund	Sewer Utility Repair & Extension Fund	K.S.A. 12-825d	25,000

12. LONG-TERM DEBT

Changes in long-term liabilities for the City for the year ended December 31, 2012 were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Beginning Balance 1/1/2012	Additions	Reductions/ Payments	Ending Balance 12/31/2012	Interest/ Service Fees Paid
KDHE Loan:									
KS Water Pollution Control	3.08%	04/23/01	<u>\$ 1,643,675</u>	3/1/2024	<u>\$ 1,132,833</u>	<u>\$ -</u>	<u>\$ 75,563</u>	<u>\$ 1,057,270</u>	<u>\$ 34,313</u>
Total Contractual Indebtedness					<u><u>\$ 1,132,833</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 75,563</u></u>	<u><u>\$ 1,057,270</u></u>	<u><u>\$ 34,313</u></u>

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:

Year	KDHE Loan	
	Principal	Interest
2013	\$ 77,908	\$ 31,969
2014	80,326	29,550
2015	82,819	65,852
2016	85,389	24,487
2017	88,040	21,837
2018-2022	482,922	66,460
2023-2025	<u>159,866</u>	<u>4,949</u>
	<u><u>\$ 1,057,270</u></u>	<u><u>\$ 245,104</u></u>

* See Note 9 – Defeasance of Debt

CITY OF BELLEVILLE, KANSAS
REGULATORY-REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2012

CITY OF BELLEVILLE
Belleville, Kansas

Schedule 1

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
For the Year Ended December 31, 2012

FUNDS	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
General Fund					
General Operating Fund	\$ 890,469	\$ -	\$ 890,469	\$ 822,853	\$ (67,616)
Special Purpose Funds					
Library Fund	117,460	-	117,460	115,169	(2,291)
Recreation Fund	34,300	-	34,300	34,299	(1)
Special Highway Fund	109,001	-	109,001	29,385	(79,616)
Special Fire Equipment Fund	142,068	-	142,068	-	(142,068)
Special Park & Recreation Fund	14,000	-	14,000	-	(14,000)
Employee Benefit Fund	449,180	-	449,180	410,173	(39,007)
Health Insurance Fund	365,000	-	365,000	305,768	(59,232)
Convention & Tourism Fund	33,050	-	33,050	30,830	(2,220)
Travel Information Center Fund	61,700	-	61,700	55,536	(6,164)
Business Funds					
Electric Utility					
Operating Fund	2,959,932	-	2,959,932	2,876,497	(83,435)
Gas Utility					
Operating Fund	1,462,377	-	1,462,377	793,753	(668,624)
Water Utility					
Operating Fund	428,227	-	428,227	428,225	(2)
Sewer Utility					
Operating Fund	331,042	-	331,042	273,855	(57,187)
Principal & Interest Reserve Fund	109,877	-	109,877	109,876	(1)
Airport Utility					
Operating Fund	19,500	-	19,500	19,499	(1)
Landfill Utility					
Operating Fund	115,000	-	115,000	105,313	(9,687)

CITY OF BELLEVILLE
Belleville, Kansas

Schedule 2-1
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**STATEMENT OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
For the Year Ended December 31, 2012**

GENERAL OPERATING FUND

	Actual	Budget	Variance Over (Under)
RECEIPTS			
Ad Valorem Tax	\$ 307,788	\$ 321,600	\$ (13,812)
Delinquent Tax	9,822	6,000	3,822
Motor Vehicle Tax	52,080	54,418	(2,338)
Recreational Vehicle Tax	501	839	(338)
16/20M Vehicle Tax	1,221	1,243	(22)
In Lieu of Taxes	774	500	274
Local Alcoholic Liquor Tax	4,601	4,575	26
Licenses, Permits, and Franchise Tax	50,076	36,780	13,296
Charges for Services	25,284	18,617	6,667
Retail Sales Tax	152,716	127,600	25,116
Court Fines & Fees	13,720	12,000	1,720
Economic Development	-	26,000	(26,000)
Interest on Idle Funds	7,267	-	7,267
Fireman's Relief Fund	-	7,000	(7,000)
Use of Money & Property	736	2,554	(1,818)
Miscellaneous Receipts	44,258	8,700	35,558
Incoming Transfers			
Electric Utility Operating Fund	147,763	147,763	-
Gas Utility Operating Fund	22,223	22,223	-
Total Receipts	<u>840,830</u>	<u>\$ 798,412</u>	<u>\$ 42,418</u>
EXPENDITURES			
Finance & Administration			
Personal Services	6,000	\$ 6,000	\$ -
Contractual Services	45,842	52,300	(6,458)
Commodities	8,451	10,900	(2,449)
Capital Outlay	2,588	2,000	588
Election Expenditures	-	2,500	(2,500)
Total Finance & Administration	<u>62,881</u>	<u>73,700</u>	<u>(10,819)</u>
Law Enforcement			
Personal Services	203,515	200,198	3,317
Contractual Services	18,531	23,550	(5,019)
Commodities	21,742	24,055	(2,313)
Capital Outlay	1,418	-	1,418
Remittance to Other Agencies	50,672	50,700	(28)
Total Law Enforcement	<u>295,878</u>	<u>298,503</u>	<u>(2,625)</u>

CITY OF BELLEVILLE
Belleville, Kansas

Schedule 2-1
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STATEMENT OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2012

GENERAL OPERATING FUND (Cont.)

	Actual	Budget	Variance Over (Under)
EXPENDITURES (Cont.)			
Fire Protection			
Personal Services	\$ 6,725	\$ 11,000	\$ (4,275)
Contractual Services	12,327	15,300	(2,973)
Commodities	9,723	9,450	273
Capital Outlay	-	1,500	(1,500)
Fireman's Relief Fund	-	7,400	(7,400)
Total Fire Protection	28,775	44,650	(15,875)
Street Maintenance			
Personal Services	107,081	107,496	(415)
Contractual Services	21,542	26,600	(5,058)
Commodities	114,029	122,600	(8,571)
Capital Outlay	-	3,000	(3,000)
Total Street Maintenance	242,652	259,696	(17,044)
Park Maintenance			
Personal Services	33,192	38,613	(5,421)
Contractual Services	671	1,500	(829)
Commodities	10,068	8,000	2,068
Capital Outlay	34	1,000	(966)
Total Park Maintenance	43,965	49,113	(5,148)
Cemetery Maintenance			
Personal Services	34,472	34,407	65
Contractual Services	28	650	(622)
Commodities	3,337	3,500	(163)
Total Cemetery Maintenance	37,837	38,557	(720)
Swimming Pool			
Personal Services	27,748	27,250	498
Contractual Services	1,019	2,400	(1,381)
Commodities	18,292	20,100	(1,808)
Capital Outlay	-	2,500	(2,500)
Total Swimming Pool	47,059	52,250	(5,191)

CITY OF BELLEVILLE
Belleville, Kansas

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STATEMENT OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2012

GENERAL OPERATING FUND (Cont.)

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
EXPENDITURES (Cont.)			
Economic Development			
Personal Services	\$ -	\$ 41,000	\$ (41,000)
Contractual Services	39,828	-	39,828
Commodities	1,172	-	1,172
	<u>41,000</u>	<u>41,000</u>	<u>-</u>
Total Economic Development			
Outgoing Transfers			
Special Street Machinery Reserve Fund	20,000	27,000	(7,000)
Equipment Reserve Fund	2,806	6,000	(3,194)
	<u>22,806</u>	<u>33,000</u>	<u>(10,194)</u>
Total Outgoing Transfers			
Total Expenditures	<u>822,853</u>	<u>\$ 890,469</u>	<u>\$ (67,616)</u>
Receipts Over (Under) Expenditures	17,977		
UNENCUMBERED CASH, January 1, 2012	<u>168,494</u>		
UNENCUMBERED CASH, December 31, 2012	<u>\$ 186,471</u>		

CITY OF BELLEVILLE
Belleville, Kansas

Schedule 2-2

STATEMENT OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
For the Year Ended December 31, 2012

LIBRARY FUND

	Actual	Budget	Variance Over (Under)
RECEIPTS			
Ad Valorem Tax	\$ 91,988	\$ 96,151	\$ (4,163)
Delinquent Tax	3,564	2,000	1,564
Motor Vehicle Tax	17,711	18,406	(695)
Recreational Vehicle Tax	170	283	(113)
16/20M Vehicle Tax	505	420	85
In Lieu of Taxes	231	200	31
Miscellaneous Receipts	1,000	-	1,000
	<u>115,169</u>	<u>\$ 117,460</u>	<u>\$ (2,291)</u>
EXPENDITURES			
Appropriations	114,169	\$ 117,460	\$ (3,291)
Grant Fund Pass-Through	1,000	-	1,000
	<u>115,169</u>	<u>\$ 117,460</u>	<u>\$ (2,291)</u>
Receipts Over (Under) Expenditures	-		
UNENCUMBERED CASH, January 1, 2012	<u>-</u>		
UNENCUMBERED CASH, December 31, 2012	<u>\$ -</u>		

CITY OF BELLEVILLE
Belleville, Kansas

Schedule 2-3

STATEMENT OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
For the Year Ended December 31, 2012

RECREATION FUND

	Actual	Budget	Variance Over (Under)
RECEIPTS			
Ad Valorem Tax	\$ 22,473	\$ 23,477	\$ (1,004)
Delinquent Tax	610	609	1
Motor Vehicle Tax	3,303	3,441	(138)
Recreational Vehicle Tax	32	53	(21)
16/20M Vehicle Tax	85	85	-
Ball Fees/Sponsor Fees	8,127	8,400	(273)
In Lieu of Taxes	57	57	-
Reimbursed Expense	1,790	1,790	-
Miscellaneous Receipts	706	706	-
Concession Sales	338	338	-
Total Receipts	<u>37,521</u>	<u>\$ 38,956</u>	<u>\$ (1,435)</u>
EXPENDITURES			
Personal Services	7,463	\$ 7,463	\$ -
Contractual Services	18,880	14,376	4,504
Commodities	7,258	7,258	-
Turf Treatment	-	3,800	(3,800)
Outgoing Transfer			
Equipment Reserve Fund	698	1,403	(705)
Total Expenditures	<u>34,299</u>	<u>\$ 34,300</u>	<u>\$ (1)</u>
Receipts Over (Under) Expenditures	3,222		
UNENCUMBERED CASH, January 1, 2012	<u>2,243</u>		
UNENCUMBERED CASH, December 31, 2012	<u>\$ 5,465</u>		

CITY OF BELLEVILLE
Belleville, Kansas

Schedule 2-4

STATEMENT OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
For the Year Ended December 31, 2012

SPECIAL HIGHWAY FUND

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
RECEIPTS			
Special Highway Tax	\$ 51,213	\$ 50,170	\$ 1,043
EXPENDITURES			
Personal Services	29,318	\$ 29,729	\$ (411)
Contractual Services	67	500	(433)
Capital Outlay	-	78,772	(78,772)
Total Expenditures	<u>29,385</u>	<u>\$ 109,001</u>	<u>\$ (79,616)</u>
Receipts Over (Under) Expenditures	21,828		
UNENCUMBERED CASH, January 1, 2012	<u>79,781</u>		
UNENCUMBERED CASH, December 31, 2012	<u>\$ 101,609</u>		

CITY OF BELLEVILLE
Belleville, Kansas

Schedule 2-5

STATEMENT OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
For the Year Ended December 31, 2012

SPECIAL FIRE EQUIPMENT FUND

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
RECEIPTS			
Ad Valorem Tax	\$ 23,515	\$ 24,539	\$ (1,024)
Delinquent Tax	378	100	278
Motor Vehicle Tax	467	338	129
Recreational Vehicle Tax	4	5	(1)
16/20M Vehicle Tax	143	8	135
In Lieu of Tax	59	10	49
	<u>24,566</u>	<u>\$ 25,000</u>	<u>\$ (434)</u>
Total Receipts			
	<u>24,566</u>	<u>\$ 25,000</u>	<u>\$ (434)</u>
EXPENDITURES			
Capital Outlay	<u>-</u>	<u>\$ 142,068</u>	<u>\$ (142,068)</u>
	<u>-</u>	<u>\$ 142,068</u>	<u>\$ (142,068)</u>
Receipts Over (Under) Expenditures	24,566		
UNENCUMBERED CASH, January 1, 2012	<u>106,911</u>		
UNENCUMBERED CASH, December 31, 2012	<u>\$ 131,477</u>		

CITY OF BELLEVILLE
Belleville, Kansas

Schedule 2-6

STATEMENT OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
For the Year Ended December 31, 2012

SPECIAL PARK & RECREATION FUND

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
RECEIPTS			
Local Alcoholic Liquor Tax	<u>\$ 4,601</u>	<u>\$ 4,575</u>	<u>\$ 26</u>
EXPENDITURES			
Capital Outlay	<u>-</u>	<u>\$ 14,000</u>	<u>\$ (14,000)</u>
Receipts Over (Under) Expenditures	4,601		
UNENCUMBERED CASH, January 1, 2012	<u>9,352</u>		
UNENCUMBERED CASH, December 31, 2012	<u>\$ 13,953</u>		

CITY OF BELLEVILLE
Belleville, Kansas

Schedule 2-7

STATEMENT OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2012

EMPLOYEE BENEFIT FUND

	Actual	Budget	Variance Over (Under)
RECEIPTS			
Ad Valorem Tax	\$ 140,495	\$ 146,874	\$ (6,379)
Delinquent Tax	6,286	3,000	3,286
Motor Vehicle Tax	28,734	29,548	(814)
Recreational Vehicle Tax	276	455	(179)
16/20M Vehicle Tax	1,100	674	426
In Lieu of Taxes	353	375	(22)
Employee Contributions	104,013	130,200	(26,187)
Reimbursements	28	-	28
Interfund Reimbursements	97,491	98,622	(1,131)
Incoming Transfer			
Electric Utility Operating Fund	10,000	-	10,000
Total Receipts	<u>388,776</u>	<u>\$ 409,748</u>	<u>\$ (20,972)</u>
EXPENDITURES			
Social Security & Medicare	149,381	\$ 184,302	\$ (34,921)
KPERS	131,998	117,819	14,179
Group Health Insurance	107,940	125,659	(17,719)
Workman's Compensation & Unemployment	18,561	20,000	(1,439)
Unemployment	2,293	1,400	893
Total Expenditures	<u>410,173</u>	<u>\$ 449,180</u>	<u>\$ (39,007)</u>
Receipts Over (Under) Expenditures	(21,397)		
UNENCUMBERED CASH, January 1, 2012	<u>28,034</u>		
UNENCUMBERED CASH, December 31, 2012	<u>\$ 6,637</u>		

CITY OF BELLEVILLE
Belleville, Kansas

Schedule 2-8

STATEMENT OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
For the Year Ended December 31, 2012

HEALTH INSURANCE FUND

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
RECEIPTS			
Employee Contributions	\$ 26,993	\$ 31,000	\$ (4,007)
Interfund Reimbursements	274,000	290,500	(16,500)
Reimbursed Expenses	<u>1,075</u>	<u>-</u>	<u>1,075</u>
 Total Receipts	 <u>302,068</u>	 <u>\$ 321,500</u>	 <u>\$ (19,432)</u>
 EXPENDITURES			
Group Health Insurance	<u>305,768</u>	<u>\$ 365,000</u>	<u>\$ (59,232)</u>
 Receipts Over (Under) Expenditures	 (3,700)		
 UNENCUMBERED CASH, January 1, 2012	 <u>159,063</u>		
 UNENCUMBERED CASH, December 31, 2012	 <u>\$ 155,363</u>		

CITY OF BELLEVILLE
Belleville, Kansas

Schedule 2-9

STATEMENT OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
For the Year Ended December 31, 2012

CONVENTION & TOURISM FUND

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
RECEIPTS			
Local Transient Guest Tax	\$ 34,249	\$ 30,000	\$ 4,249
EXPENDITURES			
Contractual Services	80	\$ -	\$ 80
Remittance to Other Agencies	25,750	33,050	
Outgoing Transfer			
Travel Information Center Fund	5,000	-	5,000
Total Expenditures	30,830	\$ 33,050	\$ (2,220)
Receipts Over (Under) Expenditures	3,419		
UNENCUMBERED CASH, January 1, 2012	29,153		
UNENCUMBERED CASH, December 31, 2012	\$ 32,572		

CITY OF BELLEVILLE
Belleville, Kansas

Schedule 2-10

STATEMENT OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2012

TRAVEL INFORMATION CENTER FUND

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
RECEIPTS			
Vendor Sales	\$ 39,857	\$ 41,700	\$ (1,843)
Incoming Transfers			
Electric Utility Operating Fund	10,000	12,500	(2,500)
Gas Utility Operating Fund	-	7,500	(7,500)
Convention & Tourism Fund	5,000	-	5,000
	<u>54,857</u>	<u>\$ 61,700</u>	<u>\$ (6,843)</u>
EXPENDITURES			
Personal Services	29,380	\$ 29,475	\$ (95)
Contractual Services	2,199	2,175	24
Commodities	2,808	3,200	(392)
Capital Outlay	-	250	(250)
Remittance to Other Agencies	21,149	26,600	(5,451)
	<u>55,536</u>	<u>\$ 61,700</u>	<u>\$ (6,164)</u>
Receipts Over (Under) Expenditures	(679)		
UNENCUMBERED CASH, January 1, 2012	<u>10,731</u>		
UNENCUMBERED CASH, December 31, 2012	<u>\$ 10,052</u>		

CITY OF BELLEVILLE
Belleville, Kansas

Schedule 2-11

**STATEMENT OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS**

For the Year Ended December 31, 2012

SPECIAL STREET MACHINERY RESERVE FUND

	<u>Actual</u>
RECEIPTS	
Incoming Transfer	
General Operating Fund	<u>\$ 20,000</u>
EXPENDITURES	
	<u>-</u>
Receipts Over (Under) Expenditures	20,000
UNENCUMBERED CASH, January 1, 2012	<u>25,121</u>
UNENCUMBERED CASH, December 31, 2012	<u><u>\$ 45,121</u></u>

CITY OF BELLEVILLE
Belleville, Kansas

Schedule 2-12

STATEMENT OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS
For the Year Ended December 31, 2012

ROCKY POND FUND

	<u>Actual</u>
RECEIPTS	<u>\$ -</u>
EXPENDITURES	<u>-</u>
Receipts Over (Under) Expenditures	-
UNENCUMBERED CASH, January 1, 2012	<u>192</u>
UNENCUMBERED CASH, December 31, 2012	<u><u>\$ 192</u></u>

CITY OF BELLEVILLE
Belleville, Kansas

Schedule 2-13

STATEMENT OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS
For the Year Ended December 31, 2012

EQUIPMENT RESERVE FUND

	<u>Actual</u>
RECEIPTS	
Incoming Transfers	
General Operating Fund	\$ 2,806
Recreation Fund	698
Electric Utility Operating Fund	<u> 150,000</u>
Total Receipts	<u> 153,504</u>
EXPENDITURES	
Capital Outlay	<u> 7,699</u>
Receipts Over (Under) Expenditures	145,805
UNENCUMBERED CASH, January 1, 2012	<u> 18,490</u>
UNENCUMBERED CASH, December 31, 2012	<u><u> \$ 164,295</u></u>

CITY OF BELLEVILLE
Belleville, Kansas

Schedule 2-14

**STATEMENT OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS**

For the Year Ended December 31, 2012

CITY CAPITAL IMPROVEMENT FUND

	<u>Actual</u>
RECEIPTS	
Federal Grant	\$ 133,772
Reimbursed Expense	11,530
Incoming Transfers	
Electric Utility Operating Fund	60,000
Gas Utility Operating Fund	40,000
Water Utility Operating Fund	10,000
Sewage Utility Operating Fund	<u>7,500</u>
 Total Receipts	 <u>262,802</u>
 EXPENDITURES	
Contractual Services	495
Commodities	10,750
Capital Outlay	429,722
Airport Land Acquisition	<u>42,153</u>
 Total Expenditures	 <u>483,120</u>
 Receipts Over (Under) Expenditures	 (220,318)
 UNENCUMBERED CASH, January 1, 2012	 <u>351,220</u>
 UNENCUMBERED CASH, December 31, 2012	 <u><u>\$ 130,902</u></u>

CITY OF BELLEVILLE
Belleville, Kansas

Schedule 2-15

**STATEMENT OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS**

For the Year Ended December 31, 2012

CDBG STREET PROJECT FUND

	<u>Actual</u>
RECEIPTS	
Federal Grant	<u>\$ 390,000</u>
EXPENDITURES	
Contractual Services	20,000
Capital Outlay	<u>380,000</u>
Total Expenditures	<u>400,000</u>
Receipts Over (Under) Expenditures	(10,000)
UNENCUMBERED CASH, January 1, 2012	<u>-</u>
UNENCUMBERED CASH, December 31, 2012	<u><u>\$ (10,000)</u></u>

CITY OF BELLEVILLE
Belleville, Kansas

Schedule 2-16

**STATEMENT OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS**

For the Year Ended December 31, 2012

CDBG WATER PROJECT FUND

	<u>Actual</u>
RECEIPTS	
Federal Grant	<u>\$ 108,113</u>
EXPENDITURES	
Contractual Services	20,000
Capital Outlay	<u>103,113</u>
Total Expenditures	<u>123,113</u>
Receipts Over (Under) Expenditures	(15,000)
UNENCUMBERED CASH, January 1, 2012	<u>-</u>
UNENCUMBERED CASH, December 31, 2012	<u><u>\$ (15,000)</u></u>

CITY OF BELLEVILLE
Belleville, Kansas

Schedule 2-17

STATEMENT OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS

For the Year Ended December 31, 2012

AIRPORT CAPITAL IMPROVEMENTS FUND

	<u>Actual</u>
RECEIPTS	<u>\$ -</u>
EXPENDITURES	<u>-</u>
Receipts Over (Under) Expenditures	-
UNENCUMBERED CASH, January 1, 2012	<u>36,986</u>
UNENCUMBERED CASH, December 31, 2012	<u><u>\$ 36,986</u></u>

CITY OF BELLEVILLE
Belleville, Kansas

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**STATEMENT OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
For the Year Ended December 31, 2012**

ELECTRIC UTILITY OPERATING FUND

	Actual	Budget	Variance Over (Under)
RECEIPTS			
Charges for Services	\$ 2,391,241	\$ 2,305,000	\$ 86,241
Fines & Penalties	19,459	12,300	7,159
Capacity Payments	336,200	336,000	200
Reimbursements	6,391	5,000	1,391
Interest on Idle Funds	455	3,300	(2,845)
Miscellaneous Receipts	2,860	-	2,860
Generation Payment	2,049	2,000	49
Generation Reimbursement	5,609	90,000	(84,391)
Total Receipts	<u>2,764,264</u>	<u>\$ 2,753,600</u>	<u>\$ 10,664</u>
EXPENDITURES			
Electric Administration			
Personal Services	159,911	\$ 132,379	\$ 27,532
Contractual Services	10,573	14,050	(3,477)
Commodities	3,028	3,400	(372)
Capital Outlay	250	250	-
Refunds	878	-	878
Total Electric Administration	<u>174,640</u>	<u>150,079</u>	<u>24,561</u>
Electric Production			
Personal Services	145,070	150,302	(5,232)
Contractual Services	1,487,880	1,555,450	(67,570)
Commodities	31,403	24,700	6,703
Capital Outlay	4,545	11,000	(6,455)
Total Electric Production	<u>1,668,898</u>	<u>1,741,452</u>	<u>(72,554)</u>
Electric Distribution			
Personal Services	304,065	320,438	(16,373)
Contractual Services	33,495	40,200	(6,705)
Commodities	67,636	90,500	(22,864)
Capital Outlay	-	144,000	(144,000)
Total Electric Distribution	<u>405,196</u>	<u>595,138</u>	<u>(189,942)</u>

CITY OF BELLEVILLE
Belleville, Kansas

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STATEMENT OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
For the Year Ended December 31, 2012

ELECTRIC UTILITY OPERATING FUND (Cont.)

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
EXPENDITURES (Cont.)			
Outgoing Transfers			
General Operating Fund	\$ 147,763	\$ 147,763	\$ -
Travel Information Center Fund	10,000	12,500	(2,500)
Equipment Reserve Fund	150,000	3,000	147,000
City Capital Improvement Fund	60,000	60,000	-
Electric Utility Repair & Extension Fund	250,000	250,000	-
Employee Benefit Fund	10,000	-	10,000
	<u>627,763</u>	<u>473,263</u>	<u>154,500</u>
Total Outgoing Transfers			
	<u>627,763</u>	<u>473,263</u>	<u>154,500</u>
Total Expenditures	<u>2,876,497</u>	<u>\$ 2,959,932</u>	<u>\$ (83,435)</u>
Receipts Over (Under) Expenditures	(112,233)		
UNENCUMBERED CASH, January 1, 2012	660,647		
Prior Year Cancelled Encumbrance	<u>61,092</u>		
UNENCUMBERED CASH, December 31, 2012	<u>\$ 609,506</u>		

CITY OF BELLEVILLE
Belleville, Kansas

Schedule 2-19

**STATEMENT OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS**

For the Year Ended December 31, 2012

ELECTRIC UTILITY REPAIR & EXTENSION FUND

	<u>Actual</u>
RECEIPTS	
Incoming Transfer	
Electric Utility Operating Fund	<u>\$ 250,000</u>
EXPENDITURES	
Line Upgrades or Extension	44,490
Contractual Services	4,021
Capital Outlay	<u>86,762</u>
Total Expenditures	<u>135,273</u>
Receipts Over (Under) Expenditures	114,727
UNENCUMBERED CASH, January 1, 2012	<u>730,259</u>
UNENCUMBERED CASH, December 31, 2012	<u><u>\$ 844,986</u></u>

CITY OF BELLEVILLE
Belleville, Kansas

Schedule 2-20

**STATEMENT OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
For the Year Ended December 31, 2012**

GAS UTILITY OPERATING FUND

	Actual	Budget	Variance Over (Under)
RECEIPTS			
Charges for Services	\$ 877,636	\$ 1,518,150	\$ (640,514)
Fines & Penalties	-	6,000	(6,000)
Miscellaneous Receipts	7,315	-	7,315
Total Receipts	<u>884,951</u>	<u>\$ 1,524,150</u>	<u>\$ (639,199)</u>
EXPENDITURES			
Gas Administration			
Personal Services	18,359	\$ 59,956	\$ (41,597)
Contractual Services	15,443	13,350	2,093
Commodities	867	5,500	(4,633)
Capital Outlay	250	250	-
Total Gas Administration	<u>34,919</u>	<u>79,056</u>	<u>(44,137)</u>
Gas Distribution			
Personal Services	125,886	124,448	1,438
Contractual Services	552,246	1,105,750	(553,504)
Commodities	18,479	22,400	(3,921)
Capital Outlay	-	21,000	(21,000)
Total Gas Distribution	<u>696,611</u>	<u>1,273,598</u>	<u>(576,987)</u>
Outgoing Transfers			
General Operating Fund	22,223	22,223	-
Travel Information Center Fund	-	7,500	(7,500)
City Capital Improvement Fund	40,000	40,000	-
Gas Utility Repair & Extension Fund	-	40,000	(40,000)
Total Outgoing Transfers	<u>62,223</u>	<u>109,723</u>	<u>(47,500)</u>
Total Expenditures	<u>793,753</u>	<u>\$ 1,462,377</u>	<u>\$ (668,624)</u>
Receipts Over (Under) Expenditures	91,198		
UNENCUMBERED CASH, January 1, 2012	<u>16,790</u>		
UNENCUMBERED CASH, December 31, 2012	<u>\$ 107,988</u>		

CITY OF BELLEVILLE
Belleville, Kansas

Schedule 2-21

STATEMENT OF RECEIPTS AND EXPENDITURES - ACTUAL
For the Year Ended December 31, 2012

GAS UTILITY REPAIR & EXTENSION FUND

	<u>Actual</u>
RECEIPTS	<u>\$ -</u>
EXPENDITURES	<u>-</u>
Receipts Over (Under) Expenditures	-
UNENCUMBERED CASH, January 1, 2012	<u>160,000</u>
UNENCUMBERED CASH, December 31, 2012	<u><u>\$ 160,000</u></u>

CITY OF BELLEVILLE
Belleville, Kansas

Schedule 2-22

STATEMENT OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2012

WATER UTILITY OPERATING FUND

	Actual	Budget	Variance Over (Under)
RECEIPTS			
Charges for Services	\$ 319,829	\$ 299,682	\$ 20,147
Water Service Charges	-	500	(500)
Miscellaneous Receipts	2,939	-	2,939
Reimbursements	409	500	(91)
Total Receipts	<u>323,177</u>	<u>\$ 300,682</u>	<u>\$ 22,495</u>
EXPENDITURES			
Administration			
Personal Services	16,650	\$ 20,190	\$ (3,540)
Contractual Services	10,710	11,816	(1,106)
Commodities	1,732	2,600	(868)
Refunds	14	-	14
Total Administration	<u>29,106</u>	<u>34,606</u>	<u>(5,500)</u>
Production			
Personal Services	102,683	114,056	(11,373)
Contractual Services	31,487	40,500	(9,013)
Commodities	29,013	36,700	(7,687)
Capital Outlay	-	67,365	(67,365)
Refunds	31	-	31
Total Production	<u>163,214</u>	<u>258,621</u>	<u>(95,407)</u>
Outgoing Transfers			
City Capital Improvement Fund	10,000	10,000	-
Water Utility Repair & Extension Fund	225,905	125,000	100,905
Total Outgoing Transfers	<u>235,905</u>	<u>135,000</u>	<u>100,905</u>
Total Expenditures	<u>428,225</u>	<u>\$ 428,227</u>	<u>\$ (2)</u>
Receipts Over (Under) Expenditures	(105,048)		
UNENCUMBERED CASH, January 1, 2012	<u>267,810</u>		
UNENCUMBERED CASH, December 31, 2012	<u>\$ 162,762</u>		

CITY OF BELLEVILLE
Belleville, Kansas

Schedule 2-23

**STATEMENT OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS**

For the Year Ended December 31, 2012

WATER UTILITY REPAIR & EXTENSION FUND

	<u>Actual</u>
RECEIPTS	
Incoming Transfer	
Water Utility Operating Fund	<u>\$ 225,905</u>
EXPENDITURES	
Capital Outlay	<u>215,383</u>
Receipts Over (Under) Expenditures	10,522
UNENCUMBERED CASH, January 1, 2012	<u>134,599</u>
UNENCUMBERED CASH, December 31, 2012	<u><u>\$ 145,121</u></u>

CITY OF BELLEVILLE
Belleville, Kansas

Schedule 2-24

STATEMENT OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2012

SEWER UTILITY OPERATING FUND

	Actual	Budget	Variance Over (Under)
RECEIPTS			
Charges for Services	\$ 268,541	\$ 277,000	\$ (8,459)
Reimbursements	158	1,000	(842)
Miscellaneous Receipts	433	-	433
	<u>269,132</u>	<u>\$ 278,000</u>	<u>\$ (8,868)</u>
EXPENDITURES			
Personal Services	39,902	\$ 70,815	\$ (30,913)
Contractual Services	51,945	51,850	95
Commodities	37,958	21,000	16,958
Capital Outlay	1,435	45,000	(43,565)
Refunds	238	-	238
Outgoing Transfers			
City Capital Improvement Fund	7,500	7,500	-
Sewer Utility Principal & Interest Reserve Fund	109,877	109,877	-
Sewer Utility Repair & Extension Fund	25,000	25,000	-
	<u>273,855</u>	<u>\$ 331,042</u>	<u>\$ (57,187)</u>
Receipts Over (Under) Expenditures	(4,723)		
UNENCUMBERED CASH, January 1, 2012	<u>104,385</u>		
UNENCUMBERED CASH, December 31, 2012	<u>\$ 99,662</u>		

CITY OF BELLEVILLE
Belleville, Kansas

Schedule 2-25

STATEMENT OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2012

SEWER UTILITY PRINCIPAL & INTEREST RESERVE FUND

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
RECEIPTS			
Incoming Transfer			
Sewer Utility Operating Fund	\$ 109,877	\$ 109,877	\$ -
EXPENDITURES			
Principal Payments	75,563	\$ 75,563	\$ -
Interest Payments	31,528	31,529	(1)
Service Fee	2,785	2,785	-
Total Expenditures	109,876	\$ 109,877	\$ (1)
Receipts Over (Under) Expenditures	1		
UNENCUMBERED CASH, January 1, 2012	57,293		
UNENCUMBERED CASH, December 31, 2012	\$ 57,294		

CITY OF BELLEVILLE
Belleville, Kansas

Schedule 2-26

STATEMENT OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS
For the Year Ended December 31, 2012

SEWER UTILITY REPAIR & EXTENSION FUND

	<u>Actual</u>
RECEIPTS	
Incoming Transfers	
Sewer Utility Operating Fund	<u>\$ 25,000</u>
EXPENDITURES	
Capital Outlay	<u> 8,368</u>
Receipts Over (Under) Expenditures	16,632
UNENCUMBERED CASH, January 1, 2012	<u> 14,434</u>
UNENCUMBERED CASH, December 31, 2012	<u><u> \$ 31,066</u></u>

CITY OF BELLEVILLE
Belleville, Kansas

Schedule 2-27

STATEMENT OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2012

AIRPORT UTILITY OPERATING FUND

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
RECEIPTS			
Aviation Gas Sales	\$ 18,313	\$ 12,500	\$ 5,813
Hanger & Land Rent	8,039	2,560	5,479
Reimbursed Expense	<u>4</u>	<u>-</u>	<u>4</u>
Total Receipts	<u>26,356</u>	<u>\$ 15,060</u>	<u>\$ 11,296</u>
EXPENDITURES			
Contractual Services	2,606	\$ 3,500	\$ (894)
Commodities	16,893	13,500	3,393
Capital Outlay	<u>-</u>	<u>2,500</u>	<u>(2,500)</u>
Total Expenditures	<u>19,499</u>	<u>\$ 19,500</u>	<u>\$ (1)</u>
Receipts Over (Under) Expenditures	6,857		
UNENCUMBERED CASH, January 1, 2012	<u>3,023</u>		
UNENCUMBERED CASH, December 31, 2012	<u>\$ 9,880</u>		

CITY OF BELLEVILLE
Belleville, Kansas

Schedule 2-28

STATEMENT OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2012

LANDFILL UTILITY OPERATING FUND

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
RECEIPTS			
Landfill Use Charge	<u>\$ 104,106</u>	<u>\$ 115,000</u>	<u>\$ (10,894)</u>
EXPENDITURES			
Contractual Services	<u>105,313</u>	<u>\$ 115,000</u>	<u>\$ (9,687)</u>
Receipts Over (Under) Expenditures	(1,207)		
UNENCUMBERED CASH, January 1, 2012	<u>4,116</u>		
UNENCUMBERED CASH, December 31, 2012	<u>\$ 2,909</u>		

CITY OF BELLEVILLE
Belleville, Kansas

Schedule 2-29

STATEMENT OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS
For the Year Ended December 31, 2012

UTILITY DEPOSITS FUND

	<u>Actual</u>
RECEIPTS	
Customer Deposits	<u>\$ 11,007</u>
EXPENDITURES	
Utility Deposit Refunds	<u> 10,431</u>
Receipts Over (Under) Expenditures	576
UNENCUMBERED CASH, January 1, 2012	<u> 713</u>
UNENCUMBERED CASH, December 31, 2012	<u><u>\$ 1,289</u></u>

CITY OF BELLEVILLE
Belleville, Kansas

Schedule 3

SCHEDULE OF RECEIPTS AND DISBURSEMENTS
REGULATORY BASIS
For the Year Ended December 31, 2012

AGENCY FUNDS

FUNDS	Beginning Cash Balance	Receipts	Disbursements	Ending Cash Balance
State Sales Tax Fund	\$ 9,218	\$ 104,370	\$ 111,197	\$ 2,391
LAHC Project Fund	-	91,049	91,049	-
Total Agency Funds	<u>\$ 9,218</u>	<u>\$ 195,419</u>	<u>\$ 202,246</u>	<u>\$ 2,391</u>

CITY OF BELLEVILLE, KANSAS
SINGLE AUDIT SECTION
FOR THE YEAR ENDED DECEMBER 31, 2012



MAPES & MILLER LLP

CERTIFIED PUBLIC ACCOUNTANTS
A PARTNERSHIP OF PROFESSIONAL CORPORATIONS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and City Council
City of Belleville, Kansas 66935

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the applicable audit requirements of the *Kansas Municipal Audit and Accounting Guide*, the financial statement of the City of Belleville, Kansas, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City of Belleville, Kansas' basic financial statement and have issued our report thereon dated September 23, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Belleville, Kansas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Belleville, Kansas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Belleville, Kansas' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies

in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies (2012-1).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Belleville, Kansas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests no disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain other matters that we reported to management of the City of Belleville, Kansas in a separate letter dated September 23, 2013.

City of Belleville, Kansas' Response to Findings

City of Belleville, Kansas' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Belleville, Kansas' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

Mapes & Miller LLP

Certified Public Accountants

September 23, 2013
Phillipsburg, Kansas



MAPES & MILLER LLP

CERTIFIED PUBLIC ACCOUNTANTS
A PARTNERSHIP OF PROFESSIONAL CORPORATIONS

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Honorable Mayor and City Council
City of Belleville, Kansas 66935

Report on Compliance for Each Major Federal Program

We have audited the City of Belleville, Kansas' compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City of Belleville, Kansas' major federal programs for the year ended December 31, 2012. The City of Belleville, Kansas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Belleville, Kansas' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, the applicable audit requirements of the Kansas Municipal Audit and Accounting Guide. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Belleville, Kansas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Belleville, Kansas' compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Belleville, Kansas complied, in all material respects, with the types

of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of the City of Belleville, Kansas is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Belleville, Kansas' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Belleville, Kansas' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular-A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

Mapes & Miller LLP

Certified Public Accountants

September 23, 2013
Phillipsburg, Kansas

CITY OF BELLEVILLE
Belleville, Kansas

Schedule 4

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2012

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant Number	Federal Expenditures
U.S. Department of Transportation Airport Improvement Program	20.106	3-20-0007-09-2012	\$ 41,558
Total U.S. Department of Transportation			<u>41,558</u>
U.S. Department of Housing and Urban Development Passed Through the Kansas Department of Commerce			
Community Development Block Grant	14.228	12-PF-007	108,113
Community Development Block Grant	14.228	11-PF-006	<u>390,000</u>
Total U.S. Department of Housing and Urban Development			<u>498,113</u>
Total Federal Awards			<u><u>\$ 539,671</u></u>

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Awards includes the federal grant activity of the City of Belleville, Kansas and is presented on the cash basis of accounting. The information presented in this schedule is in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, amounts presented in this schedule may differ from amounts presented in, or used in the presentation of the basic financial statements.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2012**

SECTION 1 – SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued:

In accordance with the statutory basis of accounting described in Note 1 to the financial statements.

Unqualified

Internal control over financial reporting:

- Material weaknesses identified? __Yes xNo
- Significant deficiencies identified that are not considered to be material weaknesses? xYes __None reported
- Noncompliance material to financial statements noted? __Yes xNo

FEDERAL AWARDS

Internal control over major programs:

- Material weaknesses identified? __Yes xNo
- Significant deficiencies identified that are not considered to be material weaknesses? __Yes xNone reported

Type of auditor's report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?

__Yes xNo

Identification of major programs:

CFDA NUMBER

14.228

NAME OF FEDERAL PROGRAM

Community Development Block Grant

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

__Yes xNo

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2012

SECTION 2 – FINDINGS – FINANCIAL STATEMENT AUDIT

INTERNAL CONTROL

2012-1 Segregation of duties

Condition: The limited staff size does not provide for adequate segregating of duties.

Criteria: Segregation of duties should be maintained to strengthen internal control over accounting and compliance functions.

Effect: Lack of segregation of duties increases the risk of errors and noncompliance occurring and not being detected in a timely manner.

Cause: Because the entity is small, management does not feel it is feasible to hire more staff.

Recommendations: Duties of key financial and compliance personnel should be evaluated to determine if duties could be segregated.

Response: We concur with the recommendation. However, the size of the entity does not make it practical to have sufficient number of employees to achieve the optimum level of internal control.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

U.S. Department of Housing and Urban Development

Community Development Block Grant – CFDA 14.228. No findings or questioned costs for the year ended December 31, 2012.

SECTION 4 – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Not applicable.